

in an easily accessible place, a written copy of the procedures (and any modifications thereto) described in paragraph (e) of Rule 17a-7, and (ii) maintain and preserve for a period not less than six years from the end of the fiscal year in which any transactions occurred, the first two years, in an easily accessible place, a written record of each such transaction setting forth a description of the security purchased or sold, the identity of the person [portfolio] on the other side of the transaction, the terms of the purchase or sale transaction, and the information or materials upon which the determinations described in paragraph (e)(3) of Rule 17a-7 were made.

12. Applicant therefore submits that the Reconstitution Transactions are, in substance, the type of transactions ordinarily exempted by Rule 17a-7.

13. Applicant also requests relief pursuant to Section 6(c) of the 1940 Act, because the Commission has interpreted Section 17(b) of the 1940 Act as authorizing the granting of exemptive relief from Section 17(a) on a transaction-by-transaction basis only. Applicant requests relief pursuant to Section 6(c) exempting Applicant from Section 17(a) to the extent necessary to permit Applicant to engage in the Reconstitution Transactions each year.

14. Section 6(c) of the 1940 Act provides that the Commission "by order upon application, may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of [the Act] or of any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of [the Act]."

15. Applicant submits that the exemptions requested under Section 6(c) are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

Applicant's Conditions

Applicant represents and agrees to the following conditions:

1. Each of the Reconstitution Transactions will be: (a) a purchase or sale, for no consideration other than the delivery of portfolios securities valued at the independent "Current Market Price" (as defined in Rule 17a-7 under the 1940 Act), or, (b) to the extent the aggregate price of the portfolio securities acquired by one Portfolio from another

Portfolio exceeds the aggregate price of the portfolio securities sold by that Portfolio to such other Portfolio, a cash payment for the difference, against prompt delivery of a security for which market quotations are readily available.

2. Each of the Reconstitution Transactions will be effected at the security's independent "Current Market Price," as defined in Rule 17a-7 under the 1940 Act.

3. Each of the Reconstitution Transactions will be consistent with the policy of each of the Portfolios participating in such transactions, as recited in the Fund's registration statement and reports filed under the 1940 Act.

4. No brokerage commission, fee (except for customary transfer fees), or other remuneration will be paid in connection with any of the Reconstitution Transactions.

5. The Fund's board of directors, including a majority of the directors who are not interested persons of the Fund, shall (a) review the terms of the Reconstitution Transactions, the composition of the investment portfolios of the affected Portfolios, and the value (and valuation method) of the investment securities comprising the purchase price in the Reconstitution Transactions; (b) adopt a resolution determining that each of the Reconstitution Transactions are reasonable and fair to the affected portfolios, that the Reconstitution Transactions would not subject any of the affected Portfolios to overreaching, and that each of the Reconstitution Transactions are consistent with the policy of each of the Portfolios participating in such transactions, as recited in the Fund's registration statement and reports filed under the 1940 Act; (c) make and approve such changes as the board deems necessary; and (d) determine at the board meeting next following any Reconstitution Transactions that such Reconstitution Transactions were effected in compliance with such procedures.

6. The Fund agrees that it will maintain and preserve (a) permanently in an easily accessible place a written copy of the procedures (and any modifications thereto) described in condition "5", and (b) for a period not less than six years from the end of the fiscal year in which any Reconstitution transactions occurred, the first two years in an easily accessible place, a written record of each such transaction setting forth a description of the securities purchased or sold in such transaction, and the information or materials upon which the determinations described in condition "5(d)" were made.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-14439 Filed 6-13-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-35807; File No. SR-NSCC-95-03]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving Proposed Rule Change Relating to Implementation of a Three-Day Settlement Standard

June 5, 1995.

On March 1, 1995, National Securities Clearing Corporation ("NSCC") filed a proposed rule change (File No. SR-NSCC-95-03) with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act").¹ On March 27, 1995, NSCC filed an amendment to the proposed rule change.² Notice of the proposal was published in the **Federal Register** on April 14, 1995, to solicit comments from interested persons.³ No comments were received. As discussed below, this order approves the proposed rule change.

I. Description

In October 1993, the Commission adopted Rule 15c6-1 under the Act which will become effective June 7, 1995.⁴ Rule 15c6-1 establishes three business days after the trade date ("T+3"), instead of five business days ("T+5"), as the standard settlement cycle for most securities transactions. The purpose of NSCC's proposed rule change is to amend NSCC's rules to be consistent with Rule 15c6-1 and with a T+3 settlement standard for most securities transactions.

In order to accommodate a T+3 settlement cycle, many of the time frames contained in NSCC's rules are being shortened. These changes include such things as all references to a five day settlement time frame being changed to reflect a three day settlement

¹ 15 U.S.C. § 78s(b) (1988).

² Letter from John P. Barry, Associate Counsel, NSCC, to Christine Sibille, Senior Counsel, Division of Market Regulation, Commission (March 27, 1995).

³ Securities Exchange Act Release No. 35577 (April 6, 1995), 60 FR 19104.

⁴ Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (adopting Rule 15c6-1) and 34952 (November 9, 1994), 59 FR 59137 (changing effective date from June 1, 1995, to June 7, 1995).

time frame.⁵ Trades compared after such time as established on T+2 will not be included in the normal settlement cycle.⁶ All transactions entered into NSCC's balance order accounting operation or into the foreign security accounting on T+2 or thereafter will be processed on a trade-for-trade basis.⁷ The proposed rule change will amend NSCC Rules to provide dividend protection to an "as of" trade entered at least two business days prior to the payable date.⁸ Only trades in balance order securities executed on the New York Stock Exchange ("NYSE"), American Stock Exchange ("Amex"), and over-the-counter ("OTC") compared on T and T+1 will be netted, and the net balance orders will be issued on T+2.⁹ Continuous Net Settlement ("CNS") eligible items will be entered into the CNS accounting operation for transfers through NSCC's Automated Customer Account Transfer ("ACAT") Service on T+1.¹⁰ All time frames relating to voluntary corporate reorganizations processed through NSCC's CNS Reorganization Processing System will be shortened by two days.¹¹ NSCC's Procedures will require that the adjustment contract totals represent the combined input for T through T+2 that is compared.¹² Trades reported on the Consolidated Trade Summary will include trades compared through T+1.¹³ As-of-trades submitted two days prior to payable date will be included in the dividend activity report.¹⁴ A member will be informed of its potential liability from a short position on T+2.

The proposed rule change also makes a certain ancillary modifications to NSCC's Rules and Procedures in order to delete references to obsolete services, procedures, forms, and methods of communications. All references to the SCC Division of the NSCC are being eliminated.¹⁵ Cross-references to specific rules which contain timing provisions are being changed to refer to

the rules generally. Furthermore, the clauses beginning with "up to and including" in the definitions of "Comparison Operation", "Foreign Security Accounting Operation", and "Balance Order Accounting Operation" also are being eliminated.¹⁶

The definitions of "Basket Trade" and "Mini Basket" contained in Rule 1 are being deleted because NYSE no longer offers these types of products, and therefore, NSCC does not clear it. Accordingly, references to Basket Trades and Mini Baskets contained in NSCC's Procedures and fees for processing these trades are being deleted.¹⁷

References to nonmembers' ability to use NSCC's New York State Transfer Taxes service are being eliminated because no nonmember has requested the use of NSCC's facility to pay these taxes in over ten years.¹⁸ NSCC is limiting the number of banks which can hold securities pledged by members for the NSCC clearing fund by providing that these banks will be chosen by NSCC and not by the members.¹⁹

There are several places in NSCC's rules where changes are being made to reflect the continuing automation of systems and the elimination of paper intensive processes. These include the elimination of the use of certain forms, changing references to data received rather than tickets delivered, and the elimination of the requirement of acknowledging transactions through paper submission.²⁰

NSCC is amending rules to clarify that NSCC has the right to deny access to additional services to members that are not currently using the service if NSCC does not have adequate capability to perform that service.²¹ NSCC is amending its rules to reflect the current

practice of NSCC preparing all checks sent to members.²²

The exchanges and the NASD have rules concerning good delivery of physical securities.²³ NSCC is amending its rules to require that deliveries must meet such good delivery requirements.²⁴ NSCC's rules on good delivery are being deleted.²⁵

Pursuant to Addendum F, members who have failed to pay timely amounts due have been required to settle amounts greater than \$100,000 in Federal Funds. NSCC's settlement rule is being amended to reflect this longstanding practice.²⁶

NSCC is eliminating the ability of members to charge an amount to their account at NSCC.²⁷ Members may use NSCC's Funds Only Settlement Service to achieve the same objective. NSCC is deleting references to the Signature Distribution Service because the service was never implemented and has been made obsolete with the introduction of current Medallion Program.²⁸ NSCC will require that close outs be completed promptly when NSCC ceases to act for a member.²⁹

NSCC is amending its rules to provide that only the board of directors, the chairman of the board, the president, executive vice president, and certain designated officers of NSCC may suspend the rules when necessary or expedient.³⁰ NSCC will inform the Commission of any change in the officers designated to suspend the rules.³¹ Similarly, NSCC rules now will provide that except where action of the board of directors is specifically required, only the chairman, the president, any executive vice president, the secretary, and certain designated officers may take action on behalf of NSCC.³²

NSCC's Procedures now will include references to when-distributed transactions, which result from stock splits and are treated in the same manner as when-issued transactions.³³ NSCC's Procedures will state that the settlement date for corporate debt new

⁵ Procedures III.D, VII.B., VII.C., XIII, and Addendum K. In addition, the time frame for NSCC's guarantee of trades contained in Addendums K and M will begin on T+2. References to a five day settlement time frame contained in Procedures II.I.2 and 3 and III.C will be deleted.

⁶ Procedures II.B.1(c), II.C.2(f), II.D.2(i), and III.E.

⁷ Procedures V.B and VI.B.

⁸ Rule 11, Section 8(d).

⁹ Procedure V.C.

¹⁰ Rule 50, Section 10.

¹¹ Procedure VII.H.4(b).

¹² Procedure II.B.1(c).

¹³ Procedure VI.A.

¹⁴ Procedure VII.G.2.

¹⁵ The SCC was one of the predecessors of NSCC, and its rules were incorporated into NSCC's rules. To ease the transition at the time of NSCC's formation, NSCC retained the reference to the SCC by indicating that the rules were for the SCC Division.

¹⁶ Rule 1.

¹⁷ Procedures II.A and H and Addendum A, Section 1.E.

¹⁸ Rule 3, Section 2 and Rules 14 and 26.

¹⁹ Rule 4, Section 1.

²⁰ Such changes can be found in the following sections.

Rule 5, Section 1

Rule 7, Sections 3 (eliminates need of member to confirm to NSCC contract lists)

Rule 12, section 1

Rule 18, Sections 2 and 3 (eliminates return of tickets when NSCC ceases to act for a member)

Procedure VII.D.2(c)

Procedure VII.I

Procedures VIII.A and B (eliminates clearance/settlement statement)

Procedure X.B

Procedure XIV

Addendum A, Sections IV.S and V.B

Addendum C, Section 1

²¹ Rule 2, Section 3 and Procedure IV.D.

²² Rule 5, Section 2.

²³ See, e.g., NYSE Rules 175-226.

²⁴ Rule 9, Section 1.9 and Rule 44, Section 7.

²⁵ Rule 44, Sections 8-39.

²⁶ Rule 12, Section 1.

²⁷ Rule 13.

²⁸ Rule 17.

²⁹ Rule 18, Section 2.

³⁰ Rule 22.

³¹ Letter from John P. Barry, Associate Counsel, NSCC, to Jonathan Kallman, Associate Director, Division of Market Regulation, Commission (March 27 1995).

³² Rule 23.

³³ Procedures II.A and E.

issues now will be established by the appropriate regulatory authority.³⁴

NSCC's Reconfirmation and Pricing Service ("RECAPS") now will be run from time to time to provide flexibility in the event of operational necessities.³⁵ The CNS Accounting Operation will no longer use subaccounts for the settlement of option exercises.³⁶ NSCC is eliminating its Delivery to Clearing Service.³⁷

NSCC is amending its Procedures to conform to the practice that Net CNS Money Settlement Amounts calculated by members may be verified against the Settlement Activity Statement but are not required to be verified.³⁸ NSCC is eliminating the ability of members to select an alternate clearing corporation on an item-by-item basis.³⁹ NSCC is amending its procedures to provide that it may require members to submit certain securities to NSCC before those securities are deposited with DTC on behalf of such member.⁴⁰

NSCC is eliminating its P&S service for direct clearing.⁴¹ References to the New Jersey City office will be deleted because that office no longer exists.⁴² NSCC is amending its rules to delete fees for hard copy output.⁴³ NSCC is amending its Automated Stock Borrow Procedures to reflect that NSCC will no longer borrow physical securities for the settlement of non-DTC eligible items.⁴⁴

II. Discussion

The Commission believes the proposal is consistent with the requirements of Section 17A of the Act.⁴⁵ Specifically, Section 17A(b)(3)(F)⁴⁶ states that the rules of a clearing agency must be designed to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in the

clearing agency's custody or control or for which it is responsible, and to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions.

Several of NSCC rules are based on the standard time frame for settlement of securities transactions. On June 7, 1995, as mandated by the Commission's Rule 15c6-1, the new settlement cycle of T+3 will be established. As a result, many of NSCC's current rules will be inconsistent with this rule. This proposal amends NSCC's rules to harmonize them with a T+3 settlement cycle. By enabling trades to settle in the shortened settlement cycle, the proposal should promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes that the proposal should ensure safeguarding of securities and funds by eliminating obsolete services and streamlining NSCC's processes. The proposed rule change also should foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions by conforming NSCC's rules on settlement time frames with the rules of other self-regulatory organizations.

III. Conclusion

For the reasons stated above, the Commission finds that NSCC's proposal is consistent with Section 17A of the Act.⁴⁷

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NSCC-95-03) be and hereby is approved for effectiveness on June 7, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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SMALL BUSINESS ADMINISTRATION

[Application No. 99000160]

Blue Ridge Investors Limited Partnership; Notice of Filing of an Application for a License to Operate as a Small Business Investment Company

Notice is hereby given of the filing of an application with the Small Business Administration (SBA) pursuant to § 107.102 of the regulations governing small business investment companies (13 CFR 107.102 (1994)) by Blue Ridge

Investors Limited Partnership, 300 N. Greene Street, Suite 2100, Greensboro, North Carolina 27401, for a license to operate as a small business investment company (SBIC) under the Small Business Investment Act of 1958, as amended (15 U.S.C. 661 et seq.), and the rules and regulations promulgated thereunder. Blue Ridge Investors Limited Partnership is a limited partnership formed under North Carolina law. The applicant will be managed by its General Partner, Blue Ridge Investors Group, Inc., and Blue Ridge Management Co., Inc. (the "Management Company"). Edward K. Crawford, F. James Becher, Jr., Edward C. McCarthy and Russell R. Myers are the principals of the Management Company. No individual or entity owns more than 10 percent of the proposed SBIC.

The applicant will begin operations with capitalization in excess of \$3.5 million and will be a source of equity and debt financings for qualified small business concerns. The applicant will focus its investments in the Southeastern United States.

Matters involved in SBA's consideration of the application include the general business reputation and character of the proposed owners and management, and the probability of successful operations of the new company under their management, including profitability and financial soundness in accordance with the Act and Regulations.

Notice is hereby given that any person may, not later than 15 days from the date of publication of this Notice, submit written comments on the proposed SBIC to the Associate Administrator for Investment, Small Business Administration, 409 3rd Street, SW., Washington, DC 20416.

A copy of this Notice will be published in a newspaper of general circulation in Greensboro, North Carolina.

(Catalog of Federal Domestic Assistance Programs No. 59.011, Small Business Investment Companies)

Dated: June 6, 1995.

Robert D. Stillman,

Associate Administrator for Investment.

[FR Doc. 95-14444 Filed 6-12-95; 8:45 am]

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³⁴ Procedure II.E.2.

³⁵ Procedure II.G. NSCC intends to run RECAPS on a quarterly basis.

³⁶ Procedure II.G.

³⁷ Procedures VII.C.5, G.3, and H.7. Members usually deliver securities to The Depository Trust Company ("DTC") to cover short positions instead of NSCC.

³⁸ Procedure VII.F.2.

³⁹ Procedure IX.A.

⁴⁰ Procedure IX.B.

⁴¹ Procedure IX.D. Conforming amendments will be reflected in Procedure IX.E, Addendum A, Section IV (to eliminate fees for Remote Trade Comparison Handling and Preparation of T+1 input), and Addendum B, Section V.B. (to eliminate fees for options cage processing and stock loan rebate payment service).

⁴² Addendum A, Section III.

⁴³ Addendum A, Section V.B.

⁴⁴ Addendum C.

⁴⁵ 15 U.S.C. § 78q-1 (1988).

⁴⁶ 15 U.S.C. § 78q-1(b)(3)(F) (1988).

⁴⁷ 15 U.S.C. § 78q-1 (1988).